

## Master Document – Audit Program

Activity Code 19200		Noncompliance Audit
Version 2.0, dated April 2004		
B-1	Planning Considerations	
Purpose and Scope		
A noncompliance audit represents only additional effort to <b>report</b> and <b>resolve</b> a noncompliance issue after it is identified and its existence is fully supported as part of an incurred cost, price proposal, CAS compliance, or any other type of audit. This includes:		
<ul style="list-style-type: none"><li>• preparing and issuing the noncompliance audit report;</li></ul>		
<ul style="list-style-type: none"><li>• providing audit support to the ACO;</li></ul>		
<ul style="list-style-type: none"><li>• counseling procurement officials during conferences; and</li></ul>		
<ul style="list-style-type: none"><li>• other actions necessary to resolve the issue.</li></ul>		
The audit steps in the program should reflect a documented understanding between the auditor and supervisor as to the scope required to comply in an efficient and effective manner with generally accepted government auditing standards and DCAA objectives. The program steps are intended as general guidance and should be tailored as determined necessary.		
Generally, when there are noncompliances with more than one CAS, separate noncompliance audit reports should be issued for each noncompliance. However, when the noncompliances are related or inseparable, noncompliances with two or more standards should be issued in the same report. Noncompliances are related or inseparable if the resolution of one resolves the other.		
References		
1. CAM Chapter 8		
2. CAM Chapter 10, Section 800		
3. 48 CFR Part 9900, Cost Accounting		
4. FAR Part 31		

<b>B-1</b>	<b>Preliminary Steps</b>	<b>WP Reference</b>
<b>Version 2.0, dated April 2004</b>		
1. Coordinate with the cognizant CFAO.		
2. Evaluate the assessment of the contractor's internal control structure		

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performed in the originating audit assignment. Incorporate only the section on "the Audit Report paragraph on Accounting System and Internal Controls" from working paper B of that assignment. This paragraph is needed in the noncompliance audit report (CAM 10-808.3). For all other items in the risk assessment working paper, simply make reference to the applicable working papers of the originating audit assignment.	
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<b>C-1</b>	<b>Evaluation of Noncompliance</b>	<b>WP Reference</b>
<b>Version 2.0, dated April 2004</b>		
1.	Evaluate working papers and audit report of the audit assignment that disclosed the noncompliance.	
2.	Reference the originating audit assignment and incorporate working papers that specifically describe the noncompliance	
3.	Document the materiality of the noncompliance using the materiality criteria in 48 CFR 9903.305. If this step was performed in the originating audit assignment, incorporate applicable working papers.	
4.	Prepare the draft statement of conditions and recommendations in accordance with CAM 10-808.5(c).	
5.	Discuss results with the supervisor or the FAO technical specialist. Coordinate noncompliance matters with the CFAO and CAC at the earliest possible opportunity.	
6.	Discuss noncompliance issue with the contractor and provide a copy of the draft statement of conditions and recommendations for comments in accordance with CAM 4-304.6.	
7.	Obtain and review contractor's response. If necessary, revise the audit position the noncompliance.	

<b>A-1</b>	<b>Concluding Steps</b>	<b>WP Reference</b>
<b>Version 2.0, dated April 2004</b>		
1.	Discuss the final audit position with the contractor.	
2.	Finalize audit report incorporating the contractor's reaction and auditor's comments in accordance with CAM 10-808.5(d).	
3.	Update the permanent files, i.e. ICAPS or ICQ, and Mandatory Annual Audit Requirements (MAARs) schedules, as appropriate.	

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<p>4. Closing actions should be performed in accordance with FAO procedures. These procedures may require either auditors or administrative personnel to perform various closing steps. Completion of these closing actions should be documented (e.g., by initials and date on the CD or working paper folder, etc.) and should include:</p>	
<p>a. The title, author, and keywords fields of the file properties in the audit report must be completed (for the audit report only) prior to final filing.</p>	
<p>b. Review the APPS exe file for size. APPS-generated executable files that are over 10 megabytes in size should be reviewed to ensure that the format and content justify the size. Supervisors are responsible for reviewing or designating someone to review these files for content and format.</p>	
<p>c. Review the APPS exe file for temporary files. These files can be recognized by the “~\$” or “~WRL” at the beginning of the file name. Once the APPS exe file is complete and there is NO ACTIVITY to be completed on any of the files contained within the exe file, any temporary files should be deleted so there are no unintentional versions of working papers and/or reports. NOTE: This should be done prior to invoking the Export/Archive Option in APPS.</p>	
<p>d. Once an audit report is signed, the electronic document should immediately be modified to indicate who signed it, and it should be password protected. The electronic file should then be renamed according to the convention “01 DCAA Report [RORG-ASSIGNMENT NO.] – Final.doc” and changed to a read-only file. Only this file should be stored, transmitted, or otherwise used for official purposes. For Memorandums the word “Report” would be replaced by “MFF” or “MFR” in the naming convention as appropriate.</p>	
<p>e. When the audit report is transmitted electronically to the requestor, the transmission email should be saved as a txt file (this will ensure the attachments are not saved again). Saving delivery or read receipts is optional. If saved, the naming convention should distinguish them from transmittal emails.</p>	
<p>f. Once the report is signed, the signature page of the audit report must be scanned in accordance with Agency standard scanning instructions. For audit packages, the scanned signature page file should be named the same as the audit report (see above) with “-sig” added (i.e., 01 DCAA Report 01101-2002X10100389-Final-sig.pdf). There is no requirement to make the file a part of the APPS generated executable file and it must be included separately in the iRIMS folder. There is no need to scan the signature page of</p>	

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a Memorandum unless it is distributed outside of DCAA.	
g. Ensure an electronic copy of the final draft audit report containing the supervisory auditor's initials and date, cross-referenced to the working papers, is included in the working paper package. The final draft report should include all substantive changes made to the original draft, with cross-referencing updated as necessary. It should differ from the final report only due to minor administrative changes (spelling, format, etc.) made during final processing.	
h. Ensure all working paper files are "read only" and, if necessary, compressed for final storage. Generally, current Agency software should be used to automatically modify all electronic files for storage.	
i. Two complete sets of electronic working papers should be filed. One set (official) will be filed in iRIMS. A second set (backup) will be stored on removable media in the hard copy working paper folder. The new APPS naming convention (ex: 01701_2003A10100001_Archive_093003.exe) will be used for both. If there will be a short-term need to access the working papers, a third, or "working" set should be stored so as to be available for reference, generally on the LAN. This set should be deleted when no longer needed.	
j. Verify using a separate machine, that electronic files stored on removable media are not corrupted and can be unarchived. Indicate the test was successful by placing tester initials and date prominently on the CD label.	
k. Securely enclose the "backup" set of electronic files (CD) and any "official" set of hard copy in the hard copy folder.	
l. File the "official" set of electronic files in iRIMS (see iRIMS User Guide).	
m. <b><u>Do Not File Sensitive Audits in iRIMS</u></b> : Sensitive audits include but are not limited to classified work, suspected irregular conduct, hotline or DCAA Form 2000 related files. These audits should not be filed in iRIMS at this time. See CAM 4-407f for filing instructions.	